

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6426

BILL NUMBER: HB 1081

DATE PREPARED: Dec 18, 2001

BILL AMENDED:

SUBJECT: Line-of-Duty Health Care Expenses of Police and Firefighters.

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**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill requires a police or fire special service district, a town, a township, a unit using volunteer firefighters, or a provider unit in fire protection territories to pay the medical and hospital care expenses for a police officer or firefighter who is injured or contracts an illness in the line of duty.

Effective Date: July 1, 2002.

Explanation of State Expenditures: The Workers Compensation Board would experience minimal administrative expense due to the provisions of this bill. However, the Board should be able to cover any additional expenses given its current budget.

Explanation of State Revenues:

Explanation of Local Expenditures: The local expenditures vary based upon the method used to provide these benefits. This bill is based upon IC 36-8-4-5 which deals with line-of-duty benefits for police officers or firefighters employed by a city. A limited polling of administrators revealed that cities use three options in providing these benefits. These include: self-indemnification, purchase of private insurance, and purchase of workers compensation insurance.

Self-indemnification:

This option tends to be used more frequently by large cities due to the potential cost. The annual cost varies due to claims experience. Some government units provide coverage to a set point and purchase catastrophic coverage for any claims experienced above a certain dollar amount. This helps to limit their exposure and decrease the premiums paid for insurance as well.

Purchase of Private Insurance:

This option reduces expense exposure, but increases the annual premium paid. Clark County reports that health benefits for single salaried employees, including the sheriff's department, are \$220 annually for medical and death (\$15,000) benefits. The Crawfordsville Police Department purchases workers compensation, as well as other insurance for reserve officers: medical benefits (up to \$10,000), disability (\$300 weekly for up to 52 weeks), and death (\$75,000) at an annual premium cost of \$1,000 per officer.

Workers Compensation:

The bill requires coverage similar to that provided for salaried employees by the Workers Compensation Board. Current premiums are distributed in two categories for police and firefighters respectively. The cost for benefits vary based upon whether full benefits or medical only benefits are purchased.

Police Officer Benefits: The cost per \$100 salary are: \$2.09 for full benefits, and \$0.97 for medical only. Units would pay \$459 to \$773.30 annually for full-time officers making \$22,000 to \$37,000 a year for full benefits, and between \$213.40 to \$358.90 for medical only.

Firefighter Benefits: The cost per \$100 salary are: \$3.21 for full benefits, and \$3.40 for medical only. (Note: the higher cost for medical only can be attributed to risk pool, established claims experience, and adverse selection of enrollees). Units would pay \$706.20 to \$1,187.70 annually for full-time officers making \$22,000 to \$37,000 a year for full benefits, and between \$748 to \$1,258 for medical only.

Volunteer Firefighters: Based on 2001 data, coverage for firefighters for medical and burial benefits was \$3.21 for full benefits, and \$3.40 for medical only per \$100 salary. Since reserve officers are unsalaried, an adaptation for volunteer coverage (applied in other insurance volunteer cases) is to provide insurance for the salary the reserve officer would have been paid for the service. For example, units would pay \$706.20 to \$1,187.70 annually for full-time officers making \$22,000 to \$37,000 a year for full benefits, and between \$748 to \$1,258 for medical only. Under this scenario, the premium could be assessed based on the time spent in reserve duties. Based on this assumption, a unit might annually pay \$176.55 to \$296.75 for full benefits, and \$187 to \$314.50 for medical only for each reserve officer who works ten hours per week.

Explanation of Local Revenues:

State Agencies Affected: Worker's Compensation Board.

Local Agencies Affected: Local law enforcement agencies and fire departments.

Information Sources: Matt Brase, Associate Director of Legislative Services, Indiana Association of Cities and Towns, (317) 237-6200; Ron Cooper, Indiana Compensation Rating Bureau, (317) 842-2800; Chief David Johnson, Crawfordsville Police Department, (765) 362-3762; Margie Hommel, Clark County Auditors Office, (812) 285-6211.